



ZINKIA ENTERTAINMENT, S.A.

Appendix to Financial Statements - JUNE 2011
Report on level of fulfilment of forecasts

LEVEL OF FULFILMENT OF 2011 FORECASTS

The financial information provided by the company in this appendix offers a comparative view of the financial statement forecast for 2011 and the interim financial statements as at 30 June 2011 and analyses the most significant deviations.

1. INCOME STATEMENT

Zinkia	06/30/2010	06/30/2011	Difference	%	2011e
(€)					
Sales	1,393,082.31	1,568,691.15	175,608.84	12.61%	7,339,322.70
Other Operating Income	1,009,786.44	4,662,537.31	3,652,750.87	361.73%	5,917,953.83
Total Revenue	2,402,868.75	6,231,228.46	3,828,359.71	159.32%	13,257,276.53
Cost of goods sold	121,505.10	41,626.01	(79,879.09)	-65.74%	234,000.00
Gross Profit	2,281,363.65	6,189,602.45	3,908,238.80	171.31%	13,023,276.53
<i>% Gross Profit / Revenue</i>	<i>94.94%</i>	<i>99.33%</i>			<i>98.23%</i>
Cost of Employees	1,693,756.99	1,651,044.15	(42,712.84)	-2.52%	4,045,508.69
Other Operating Expenses	1,424,636.80	3,016,491.13	1,591,854.33	111.74%	5,893,623.25
EBITDA	(837,030.14)	1,522,067.17	2,359,097.31	n.a.	3,084,144.59
<i>% EBITDA / Revenue</i>	<i>-34.83%</i>	<i>24.43%</i>			<i>23.26%</i>
Amortizations and Depreciations	865,597.50	824,774.27	(40,823.23)	-4.72%	2,122,772.47
EBIT	(1,702,627.64)	697,292.90	2,399,920.54	n.a.	961,372.12
<i>% EBIT / Revenues</i>	<i>-70.86%</i>	<i>11.19%</i>			<i>7.25%</i>
Financial Income	38,519.78	12,857.94	(25,661.84)	-66.62%	-
Financial Expense	107,506.29	452,809.35	345,303.06	321.19%	534,169.62
Financial P/L	(68,986.51)	(439,951.41)	(370,964.90)	537.74%	(534,169.62)
Extraordinary Income	531.44	419,928.23	419,396.79		-
Extraordinary Expense	14,213.50	-	(14,213.50)	-100.00%	(418,032.01)
Extraordinary P/L	(13,682.06)	419,928.23	433,610.29		418,032.01
EBT	(1,785,296.21)	677,269.72	2,462,565.93	n.a.	845,234.52
<i>% EBT / Revenue</i>	<i>-74.30%</i>	<i>10.87%</i>			<i>6.38%</i>
Taxation	(446,324.05)	178,921.25	625,245.30	n.a.	253,570.36
EAT	(1,338,972.16)	498,348.47	1,837,320.63	n.a.	591,664.16

This year, the Company chose to consider the expenses associated with certain independent contractors with whom the Company maintains mercantile rather than employment relationships, as the cost of external services, whereas the year before these were recorded as salaries. The 2010 Income Statement has been re-stated for easier understanding.

1.1. INCOME

The table below shows the details of turnover compared with the first six months of 2010 and the 2011 budget:

	6/30/2010	6/30/2011	Difference %	12/31/2011
TOTAL REVENUE	2,401,536.72	6,231,228.46	159.47%	13,257,276.53
SALES	1,393,082.31	1,568,691.15	13%	7,339,322.70
Pocoyó Income	1,209,525.54	977,803.32	-19%	4,830,435.15
Spain	488,913.52	451,245.91	-8%	1,495,852.80
Other Zinkia territories	611,726.97	387,465.58	-37%	1,722,405.86
New Zinkia territories (Ex ITV territories)	108,885.05	139,091.83	28%	1,612,176.48
Pre-sales / coproduction	-	-		-
Shuriken School Income	2,778.47	584.61	-79%	52,000.00
Spain	2,778.47	584.61	-79%	2,000.00
Other Zinkia territories	-	-		50,000.00
Xilam territories	-	-		-
Interactive contents	158,950.04	566,314.07	256%	2,416,887.56
Videogames	977.79	195,316.00	19875%	1,403,000.00
Online contents	157,972.25	370,998.07	135%	1,013,887.56
Other income	21,828.26	23,989.15	10%	40,000.00
OTHER OPERATING INCOME	1,008,454.41	4,662,537.31	362%	5,917,953.83

At the end of the first half of 2011, total revenues were up 159% compared to the year before and represented 47% of the total revenue forecast for the year. Turnover was up more than 13% compared to the same period the year before, thanks primarily to an increase in the revenues associated with rights to interactive developments, where the income from both video games and online contents had grown considerably compared to the same period the year before, a trend that we trust will continue in the second half of the year.

Revenues from the commercial operations of Pocoyó were down compared to the same period the year before, although we are beginning to see a recovery in the areas that Zinkia has started to manage directly following the agreement reached with ITV Global Entertainment Ltd. in April, whereunder Zinkia became the exclusive, world-wide distributor of POCOYÓ rights and licences.

Other operating income includes the amounts capitalised for work done by the company internally to develop and produce its audiovisual and interactive projects and the final settlement from the agreement reached with ITV Global Entertainment Ltd., which was notified to the markets as a Relevant Event on 11 April 2011.

Based on the figures from the first half of the year and the negotiations in progress as of the date of this Appendix, the Company is maintaining its income forecast for this fiscal year.

1.2. EXPENSES

Expenses in the first half of the year were as expected and were in line with the forecast for the period, even coming in under budget for certain items.

The containment of staff costs which began the year before continued this year. The details of the Provisions and Other Operating Expenses on the Income Statement are as follows:

	<u>6/30/2011</u>	<u>6/30/2010</u>
Raw materials and consumables	41,626.01	121,505.10
Total	41,626.01	121,505.10
Leases	92,329.52	86,084.41
Renting	50,726.28	58,037.91
Repairs	20,935.35	60,831.24
Independent professional services	1,259,151.39	886,337.32
Insurance	25,883.16	756.88
Bank fees	15,945.09	10,091.02
Advertising and public relations	247,677.45	93,528.03
Utilities	55,316.25	58,757.66
Other general expenses	246,566.52	225,212.33
Impairment losses on commercial transactions	1,001,960.12	(55,000.00)
Total	3,016,491.13	1,424,636.80

The most significant changes can be seen in the services of independent professionals on the one hand and advertising and public relations on the other, although these increases were included in the budget for this year.

The changes in provisions and losses from trade receivables were due to the aforementioned agreement with ITV Global Entertainment Ltd. and the final settlement of the relationship. Some trade receivables were cancelled when the agreement was signed.

2. BALANCE SHEET

2.1. ASSETS

Zinkia	2010	6/30/2011	2011e
<i>(en €)</i>			
Intangible Assets	8,664,850.67	9,140,479.34	9,090,003.46
Tangible Assets	107,695.38	105,724.74	126,362.46
Financial Assets	94,244.37	1,090,345.18	1,194,329.77
Deferred Taxation Assets	3,929,005.53	3,750,084.28	3,840,255.91
Debtors and receivables	100,037.27	90,682.38	100,037.27
Non Current Assets	12,895,833.22	14,177,315.92	14,350,988.86
Stocks	-	-	-
Debtors and receivables	3,701,612.96	2,350,223.22	2,630,965.27
Financial Assets	560,828.62	1,017,279.41	179,953.07
Cash	374,499.07	787,424.54	1,225,233.10
Period Adjustments	44,567.47	8,668.02	44,567.47
Current Assets	4,681,508.12	4,163,595.19	4,080,718.91
Total Assets	17,577,341.34	18,340,911.11	18,431,707.78

The balance shown for Financial Assets on the Balance Sheet includes the value of the investments made by Zinkia Entertainment, S.A. in its subsidiaries: Cake Entertainment Ltd., a British company in which the Group has acquired a 51% stake (Relevant Event 4/April/2011); Producciones y Licencias Plaza de España S.A. de C.V., a Mexican subsidiary and Sonocrew, S.L. a Spanish subsidiary.

The rest of the non-current assets did not experience any significant changes during the first half of the year.

The change in accounts receivable is explained by the payments received during the period in question and also by the aforementioned agreement reached with ITV Global Entertainment Ltd.

Current asset investments include certain deposits whose purpose is to make the available cash at the end of the year, which was higher than at the end of 2010, more profitable.

2.2. EQUITY AND LIABILITIES

Zinkia	2010	6/30/2011	2011e
Issued Capital	2,445,676.80	2,445,676.80	2,445,676.80
Share premium	9,570,913.06	9,570,913.06	9,570,913.06
Own shares held	(347,303.14)	(947,722.75)	(1,027,303.14)
Reserves	1,175,648.84	1,157,494.79	1,175,648.84
Retained Earnings	(1,091,224.58)	(3,389,612.04)	(3,389,612.04)
Profits and losses	(2,298,387.46)	498,348.47	591,664.16
Other adjusts	(33,784.44)	(14,324.55)	(33,784.44)
Grants	79,748.25	79,748.25	79,748.25
Shareholders Equity	9,501,287.33	9,400,522.03	9,412,951.49
Long Term Debt	3,672,294.40	5,396,530.31	4,748,574.16
Deferred taxation liabilities	39,675.01	39,675.01	39,675.01
Long Term Liabilities	3,711,969.41	5,436,205.32	4,788,249.17
Short Term Debt	2,709,523.18	2,741,485.58	2,230,261.58
Creditors	1,654,561.42	762,698.18	2,000,245.53
Current Liabilities	4,364,084.60	3,504,183.76	4,230,507.11
Total Shareholders Equity and Liabilities	17,577,341.34	18,340,911.11	18,431,707.78

The greatest change in liability items is seen in Non-Current Payables due to the financing obtained in the amount of EUR 2.5 million in February, reported to the markets as a Relevant Event in 11 March 2011.

3. Confirmation of Forecasts

The summarised interim financial statements were prepared using the same accounting policies and standards used to prepare the annual financial statements, as stipulated in the General Accounting Plan and the terms of IAS 34 on interim financial reporting.

As of the date of these financial statements, the business expectations and forecast results published by the company remained unchanged.

The turnover for the first six months is somewhat affected by the seasonality of our business and the date on which the contracts are signed with our concession holders.

The opening of new markets, the acceptance of our brands and the signing of license agreements for our brands are proceeding as expected.

Disclaimer

Under no circumstances should this document be construed as an offer to purchase, sell, subscribe or trade Zinkia shares. Any investment decision regarding the shares should be taken by investors based on their own criteria and/or following the recommendations of their advisers.

The information contained in this document refers basically to historical data but may also contain future forecasts which, by their nature, may be affected by known and unknown risks and uncertainties which may lead the group's business in a different direction than expected and may condition the materialisation of those risks.

For a better understanding of the risks that could affect the business, future manifestations and financial or equity situation, Zinkia recommends consulting the Informative Document of Inclusion in MAB and the information that is regularly sent to the Markets.

Yours faithfully

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ZINKIA ENTERTAINMENT, S.A.